

02 DEPARTMENT OF PROFESSIONAL AND FINANCIAL REGULATION

031 BUREAU OF INSURANCE

Chapter 960 HURRICANE DEDUCTIBLES

1. Purpose

The purpose of this Rule is to implement 24-A M.R.S. § 3061. Section 3061 applies to insurance policies that provide coverage to owner-occupied properties used solely for residential purposes and having four or fewer apartments. This statute requires that the Superintendent adopt, as routine technical rules, procedures and standards for insurers that use hurricane deductibles. This Rule prescribes uniform policy standards for hurricane deductibles and the form of notice concerning those deductibles that insurers must give to named insureds.

2. Authority

The Superintendent promulgates this Rule pursuant to 24-A M.R.S. §§ 212 and 3061.

3. Definitions

- A.** “**Forecast zone**” means a forecast area published by the National Weather Service for the State of Maine.
- B.** “**Hurricane**” means a weather event for which the National Weather Service has issued a hurricane warning for the applicable part of the State of Maine.
- C.** “**Hurricane deductible**” means a policy provision, specifically applicable to losses resulting from a hurricane, that defines the amount of covered loss the insured must bear.
- D.** “**Hurricane warning**” means an announcement by the National Weather Service that sustained winds of 74 miles per hour or higher are expected somewhere in a specified area in association with a tropical, subtropical, or post-tropical cyclone.
- E.** “**National Weather Service**” means the component of the National Oceanic and Atmospheric Administration, or its successor, that includes the National Hurricane Center.
- F.** “**Policy**” means an insurance contract subject to M.R.S. Title 24-A, Chapter 41, Subchapter 5, the Property Insurance Cancellation Control Act.
- G.** “**Superintendent**” means the Superintendent of Insurance.

4. Standards for Hurricane Deductibles

An insurer electing to use a hurricane deductible must comply with this Rule and all

relevant provisions of M.R.S. Title 24-A. This Rule sets the minimum standards that an insurer must meet with respect to a hurricane deductible.

A. A hurricane deductible may:

- (1) Be applied only during the period that starts when the National Weather Service issues a hurricane warning for a forecast zone that includes any part of the municipality in which the insured property is located and ends twenty-four (24) hours after the National Weather Service terminates the last hurricane warning for that forecast zone;
- (2) Apply whether or not hurricane force winds reach the property insured under a policy;
- (3) Apply to all direct and consequential losses caused by or resulting from wind, precipitation, or wind-driven objects; and
- (4) Be expressed as either a specific dollar amount or a percentage of the policy's property coverage.

B. When a hurricane deductible applies to a covered loss, the insurer must bear the covered loss that exceeds the hurricane deductible, subject to the applicable policy terms and limits.

C. If a policy includes a hurricane deductible and any other deductible, including without limitation a wind-storm or named storm deductible, the insurer may apply only the hurricane deductible to losses within the scope of that deductible.

5. Notice of Hurricane Deductible

A. An insurer electing to use a hurricane deductible shall notify the named insured in writing that a hurricane deductible applies to the policy. The hurricane deductible notice must comply with this section.

B. The notice shall accompany the issuance of each new policy to which a hurricane deductible applies and each renewal of a policy to which a hurricane deductible applies.

C. The notice must appear on the policy declarations page and contain the following statement or a substantially similar statement:

A \$[amount] deductible applies to losses under this policy's property coverage, unless the losses are hurricane-related. The deductible for all hurricane-related losses is \$[amount]. A deductible is the part of a loss that you must bear.

“\$[amount]” shall be replaced with “[amount] percent” for any deductible calculated as a percentage of the policy's property coverage.

D. If an insurer uses a notice in lieu of the notice specified in Section 5(C) above, the

notice must comply with the Insurance Policy Language Simplification Act, 24-A M.R.S. §§ 2438 – 2445.

6. Severability

If any section or provision of this Rule is adjudged invalid for any reason, the judgment shall not impair or invalidate any other section or provision of the Rule, and the remaining sections or provisions shall remain in full force and effect.

7. Effective date

The effective date of this Rule is April 1, 2015.